OTTAWA CONVENTION CENTRE

CENTRE DES CONGRÈS D'OTTAWA

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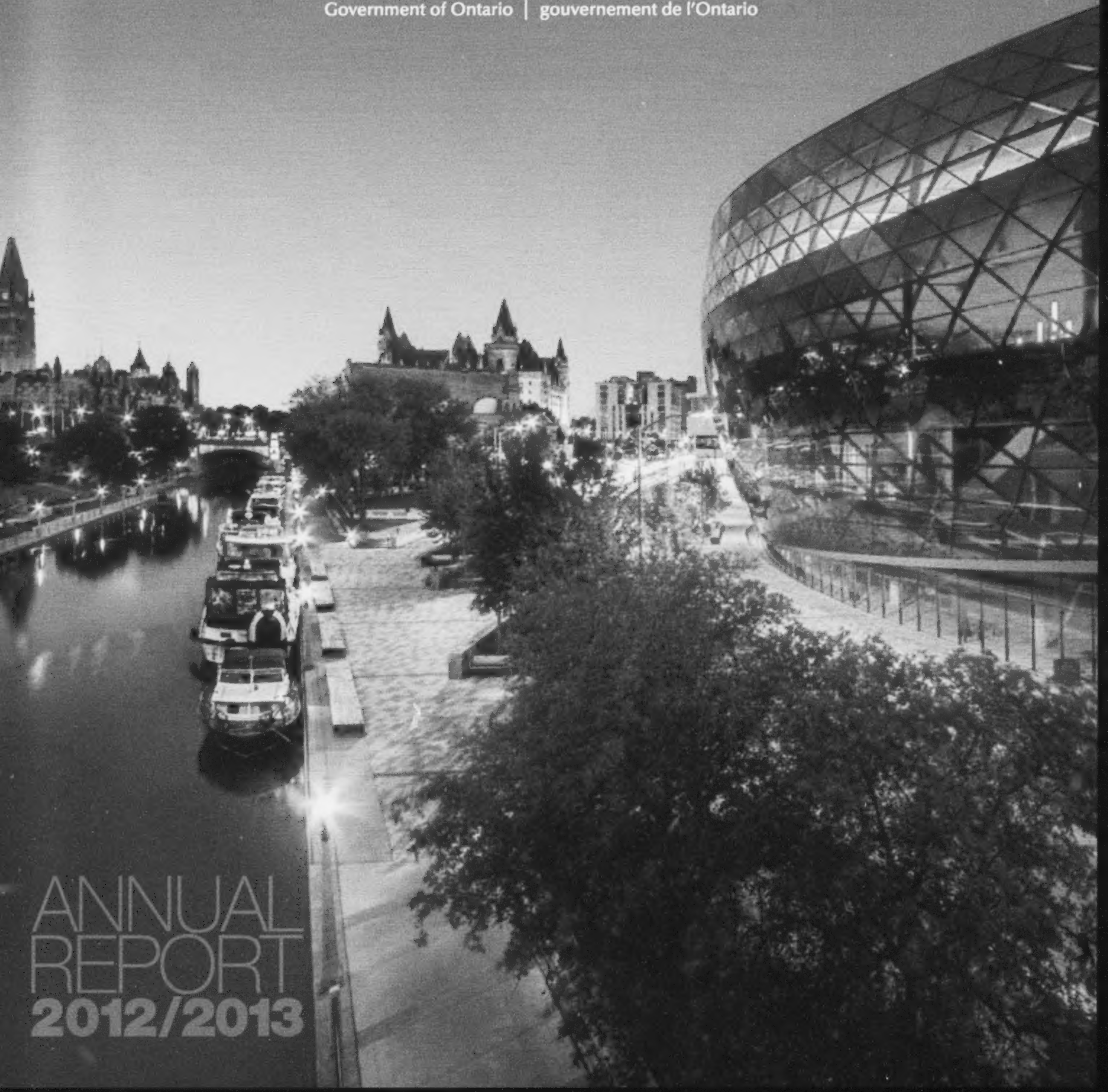
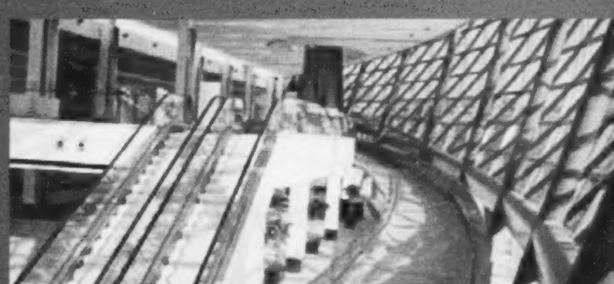


ANNUAL REPORT 2012/2013







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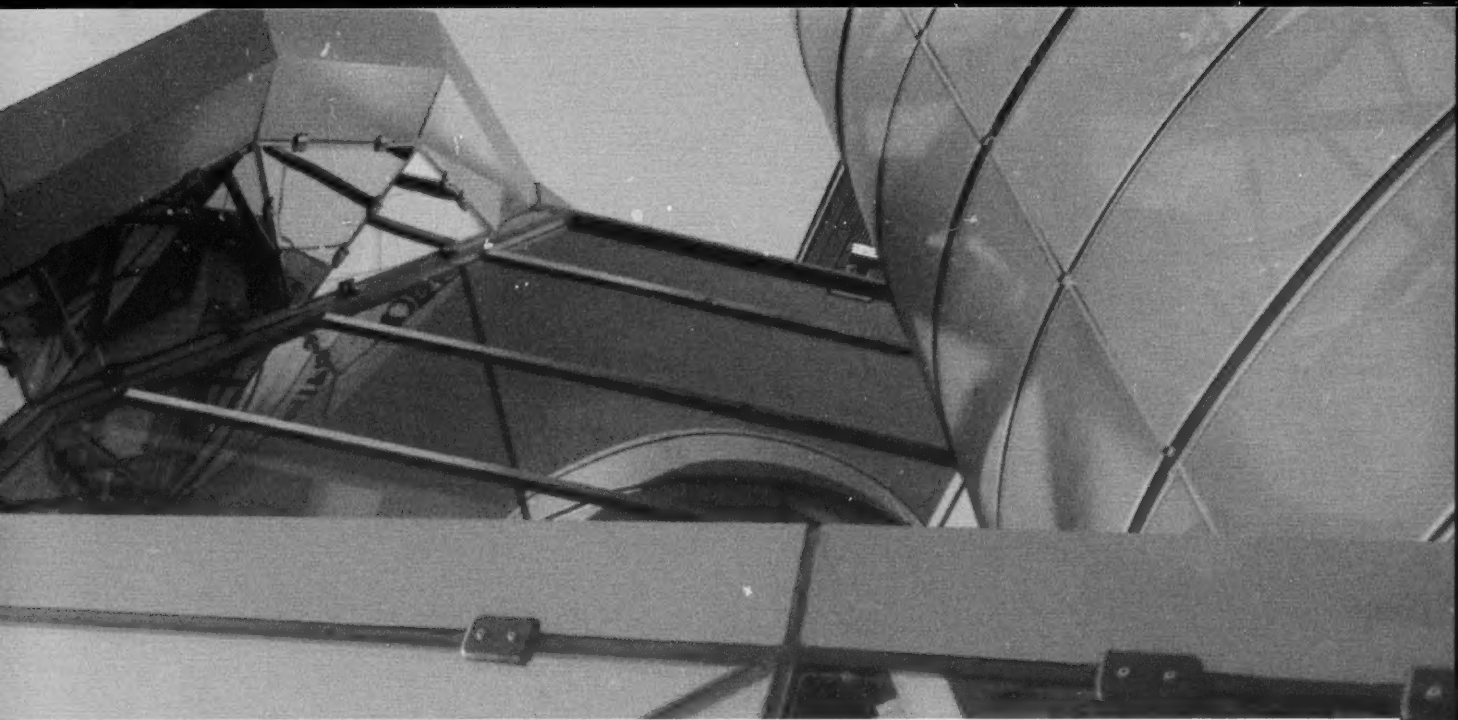


Executive Leadership Team

PATRICK KELLY
PRESIDENT & CEO

PAUL KEOGH
SENIOR VICE-PRESIDENT

DAN YOUNG
VICE-PRESIDENT,
FINANCE AND ADMINISTRATION

JENNIFER McCRARY
GENERAL MANAGER

OCC Board of Directors

JIM DURRELL (CHAIR)
OCTOBER 25, 2006 – OCTOBER 24, 2013

BERNIE ASHE
OCTOBER 23, 2008 – DECEMBER 31, 2013

DICK BROWN
APRIL 11, 2006 – APRIL 10, 2012

DALE CRAIG
APRIL 18, 2007 – APRIL 17, 2013

DAVID GOLDSTEIN
NOVEMBER 14, 2012 TO NOVEMBER 13, 2013

CYRIL LEEDER
MARCH 28, 2007 – DECEMBER 31, 2013

JOANNE LEFEBVRE
MAY 17, 2006 – MAY 16, 2012

CHARLES MEROVITZ
NOVEMBER 15, 2006 – NOVEMBER 14, 2012

BILL MILLIKEN
MAY 17, 2006 – MAY 16, 2012

PATRICK W. MURRAY
APRIL 16, 2008 – APRIL 15, 2014

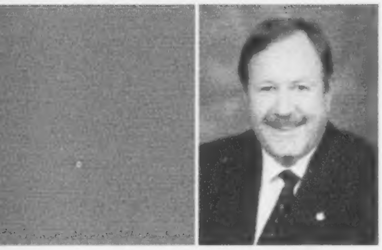
PATRICIA PARULEKAR
MAY 9, 2007 – MAY 8, 2013

MARY PITT
OCTOBER 11, 2006 – OCTOBER 10, 2013

MARC SEAMAN
AUGUST 15, 2012 TO AUGUST 14, 2015

JIM WATSON
JANUARY 26, 2011 – DECEMBER 31, 2014

Message from the Chair



Our second year of operation post-redevelopment has reconfirmed Ottawa Convention Centre as a major contributor to Ottawa's economy and a key partner with local business. OCC hosted 57 conventions and trade shows in 2012 that drew at least 25 per cent of participants from outside the Ottawa/Gatineau area. These events attracted 54,400 out of town visitors, which helped boost Ottawa's economy by approximately $101 million, and generated tax revenues for the three levels of government of more than $38 million for the 2012 calendar year.

2012/13 was a golden year for OCC as we officially received LEED Gold certification from the Canada Green Building Council. Additionally, in April 2012, the OCC was awarded with the AIPC Quality Standards Gold Certification from the International Association of Congress Centres. The program standards identified and audited key areas, including Customer Service, Quality of Facilities and Operations, Employee Relations, Health, Safety, Security and Emergency Response, Financial Integrity, Community Relations, Environmental Responsibility, Industry Relations and Supplier Relations. The process was an excellent team-building exercise as it involved all management staff in a collaborative effort.

While the Board of Directors remained intact through our first year of operation in order to ensure a smooth transition from redevelopment to operation, 2012 saw a number of changes with six members leaving as their terms expired: Dick Brown, Bill Milliken, Dale Craig, Patricia Parulekar, Joanne Lefebvre, and Chuck Merovitz departed after having served at least two terms as directors. It has been my honour and pleasure to work with this exceptional group of men and women over the past six years.

Ottawa Tourism and the Canadian Tourism Commission (CTC) continue to be valued partners in our convention sales and marketing programs. OCC is also working closely with the Tourism Industry Association of Canada to identify and address challenges to our industry such as CTC funding needs, aviation fees, and visa application policies.

I am very proud of the efforts and accomplishments of our OCC management and staff, and am confident they will continue to produce outstanding results in the years to come.

Jim Durrell
Chair

Message from the President

As we look at fiscal year 2012/13 in the rear-view mirror, I am delighted with the progress we have made at the Ottawa Convention Centre during the past twelve months.

Year Two will go down in our history as the year when we truly hit our stride. All the lessons that we learned from Year One (a very successful year in itself); all the constructive feedback that we received from our clients; all the improvements that we made to our service and product and processes; the positive changes that we made to our organizational structure, and the new people that we brought on board to our OCC team...all of this has contributed to a year when we have experienced considerable success on all fronts.

Some examples of our success in Year Two:

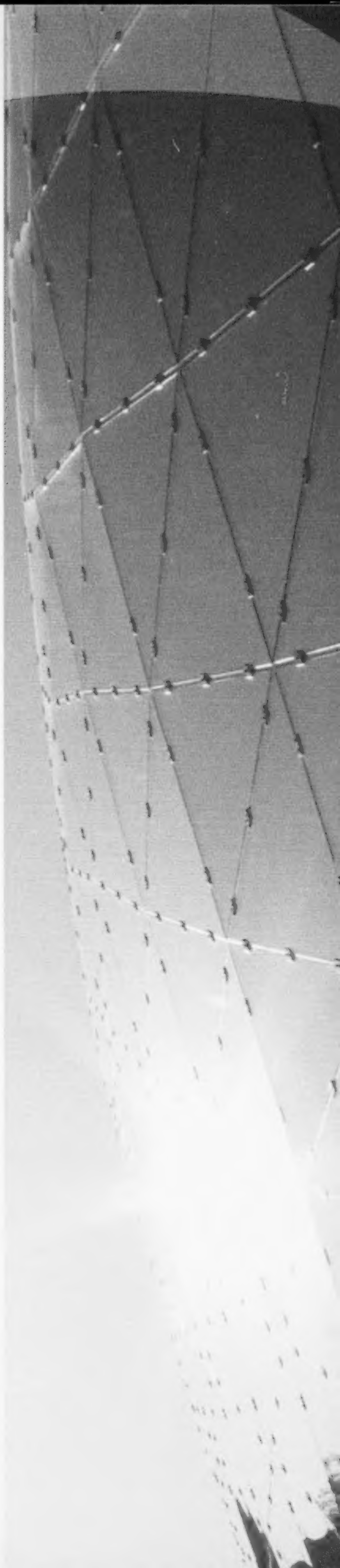
- Client Satisfaction score went from 4.0 out of 5 in Year 1 to 4.6 in Year 2
- Colleague Satisfaction went from 17.1 out of 24 in Year 1 to 19.2 in Year 2
- We exceeded our budgeted operating surplus
- The number of conventions increased from 40 in Year 1 to 57 in Year 2
- We put $7.2 million in new convention business on the books for future years
- We achieved a Gold Service Standard rating from AIPC (International Association of Congress Centres)...one of only 21 convention centres in the world to hold such a rating
- We achieved LEED (Leadership in Environmental Engineering & Design) Gold for excellence in environmental stewardship
- Canadian Society of Association Executives (our primary convention client base) had a very successful annual conference last year at the OCC
- We signed several of our annual conventions to multi-year agreements
- Over 900 "Be The Difference" cards were given to OCC colleagues for going above and beyond to service their clients
- We successfully negotiated two collective agreements with our union, in an environment of fiscal restraint.

Our primary service partners remain a key ingredient to our successes. OCC and our facility service partner ARAMARK continue to reach new heights as evidenced by OCC's high customer satisfaction scores. In 2012/13, OCC and Ottawa Tourism, along with our facility service partner ARAMARK, organized, co-promoted and co-produced a successful client event at the American Society of Association Executives (ASAE) in Dallas in which invitees were qualified convention and association buyers who have expressed a desire to meet in Ottawa. AVW TELAV, OCC's technology service partner and FREEMAN, our electrical, rigging and show services partner continue to provide professional quality services and products to our clients.

As we move forward into Year Three, fiscal year 2013/14, it remains critically important that we continue to stay focused on all the things that have made us so successful to this point, and that have earned us a reputation in the marketplace for providing outstanding client experiences. The competitive landscape has become a lot more challenging - many destinations are opening new convention centres, and many of them are desperate for business. The terms that our competitors offer to clients that we're pursuing are often difficult to match financially. This means that it has never been more important for us to sell OCC for its quality of the experience and the value, rather than simply being the most affordable venue. Being the most affordable is not our strategy. What gives us a competitive advantage over other centres is the fact that we've taken our vision, Inspired People Creating Extraordinary Events, and turned it into much more than nice words on a plaque. We've turned it into a reality…it's become our competitive advantage. And that's a competitive advantage for the ages, one that has staying power. And one that is very difficult for our competitors to match.

As President & CEO, I'm extremely proud of the accomplishments of our management team and colleagues. I look forward to working with them and continuing our journey in Year Three towards even greater success.

Patrick Kelly
President



2012/13 Operational Highlights

- Towards the close of 2012/13, we had 69 confirmed conventions on the books for the next five years that, when combined with the 57 conventions that took place in 2012, adds up to an estimated economic impact of $286.6 million, distributed amongst hotels, transportation, restaurants, retail, and the three levels of government.
- OCC hosted 11 large conventions in 2012 including the International Evolution 2012 Conference in July and the International Conference on Residency Education (ICRE) produced by Royal College of Physicians and Surgeons in October. A large convention is defined as having a minimum of 1,000 peak delegates and revenue of $225,000 or more.
- In March the Ottawa-Gatineau International Auto Show returned to the OCC and brought over 250 vehicles into the Centre.
- One of our more memorable events this year was a show by Bill Nye the Science Guy in March. The show sold out in two hours and attracted 5,000 attendees. Many lined up outside in the cold for 2 ½ hours before the doors opened.

Operating Statistics 2012/13

Number of conventions:
57

Number of trade & consumer shows:
19

Number of meetings:
278

Revenue:
$16,123,827

Operating Surplus:
$ 315,826

Corporate Goals

OCC's 2012/13 corporate goals are based on four strategic imperatives:
The Owner, The Client, the Colleague & Partner and The Community

The Owner

We recognize the important role OCC plays in generating broad economic benefits throughout the community and as such we maintain a system for calculating and documenting economic benefits arising from our activities and how these benefits are distributed throughout the community.

Economic Impact for the period January 1, 2012 – December 31, 2012 calendar year:

- 527 events
- 315,300 attendees
- 47,000 convention delegates from outside Ottawa
- 5,900 staff members that represented more than 1,500 non-local exhibitors.

In 2012, OCC hosted 57 conventions and tradeshows that drew at least 25 per cent of participants from outside the Ottawa-Gatineau area. This equalled over 54,400 out of town visitors who boosted Ottawa's economy by approximately $101 million in direct spending, including:

- $78 million in attendee spending
- $16 million in exhibitor spending
- $7 million in production spending.

This direct spending contributed approximately $81.5 million to Ottawa's GDP and supported approximately 1,289 jobs, resulting in $53.5 million in labour income. This includes $36 million in labour income derived from 981 jobs that are supported directly by events and activities at the OCC.

We came very close to achieving our goal of $16.2 million in gross revenue, however our booking pace goal of $9.542 million was just out of our reach as we ended the year at $7.438 million. OCC will continue to aim to secure multi-year contracts in an effort to improve that outcome in the coming year. Our net operating profit goal for 2012/13 was $86,000, which we surpassed by coming in at $315,826.

Our results are as follows:

- $ 16.124 million gross revenue
- $ 315,826 net operating profit
- $ 1,648,748 operating loss after interest
- $ 7.438 million booking pace

The Client

OCC recognizes the paramount importance of client satisfaction and reflects this operational imperative through systems and procedures that ensure superior customer service from initial contact through to final invoicing.

At the close of our second year of operation, our client satisfaction scores are the highest they have ever been, surpassing most of the challenging goals we set. We achieved an overall satisfaction score of 4.6 out of 5, an increase over last year's score of 4.1. The response rate and customer service scores were 46 per cent and 4.7 out of 5 respectively, both exceeding last year's scores of 45 per cent and 4.3 out of 5. Clients also told us our food quality and presentation is top notch by giving them a rating of 94 per cent, thanks to Chef Morden and his creative team in the kitchen! Leading up to the grand re-opening, we set a goal for ourselves to win the APEX award in 2016. This award is given to the best convention centre in the world. With these client satisfaction scores, we are well on our way to hopefully achieving this goal, however, we recognize the importance of continually working on improving every aspect of our sales and event processes.

Colleagues & Partners

OCC recognizes the fundamental role of colleague and partner excellence in delivering a superior event experience and will maintain a formal program to recruit, retain, recognize and train colleagues in all key areas of the organization, and maintain positive and mutually supportive partner relations.

At the time of last year's reopening, we developed and implemented an annual colleague survey that is administered in the fourth quarter each year. In 2012/13 our goal was to achieve a survey participation rate of at least 50 per cent and an overall score of 19.5 out of 24. We're pleased with our response rate of 54 per cent, and while our overall score of 19.18 fell just short of our target, the overall score improved dramatically over last year's 17.1.

In a time of government fiscal restraint and economic slowdown, we achieved our goal of successfully negotiating our two collective agreements in 2012/13. Both were ratified for one year.

OCC continues to enjoy productive relationships with our service partners who offer our client base leading edge, flexible products and services. Our ongoing client surveys and post-convention meetings provide us with favourable responses from our clients who say that they would be happy to return and/or recommend OCC to their colleagues. Our newly-established program to maintain pricing and service competitiveness with our service partners is in place and we are confident this will ensure a competitively priced product into the future.

The Community

We recognize the mutually supportive roles that we and the community have in enhancing the event experience of our clients. In this regard, we demonstrate ongoing corporate responsibility and maintain a positive community interface.

Building on our last year's objective to showcase the new building, we continue to conduct bi-monthly tours of the centre and provide pre-arranged tours for academic, government and public groups.

Our goal of achieving LEED silver certification was surpassed when we were awarded LEED Gold certification by the Canada Green Building Council in January 2013. OCC's commitment to sustainable practices began during construction and is embedded in all aspects of our business operations. After two full years of operation we now have enough data to set a goal for waste diversion, which will be included in our 2013/14 plan.

OCC senior management continues to take pleasure in its support of and involvement in local college hospitality programs. OCC management sits on the Advisory Boards of the hospitality program at Algonquin College hospitality program and the Gestion hôtelière et de restaurant with La Cité collégiale.

Vision

Inspired people creating extraordinary events.

Economic Mandate

Ottawa Convention Centre operates profitably and generates positive economic impact for the National Capital Region, the Province of Ontario and its industry partners.

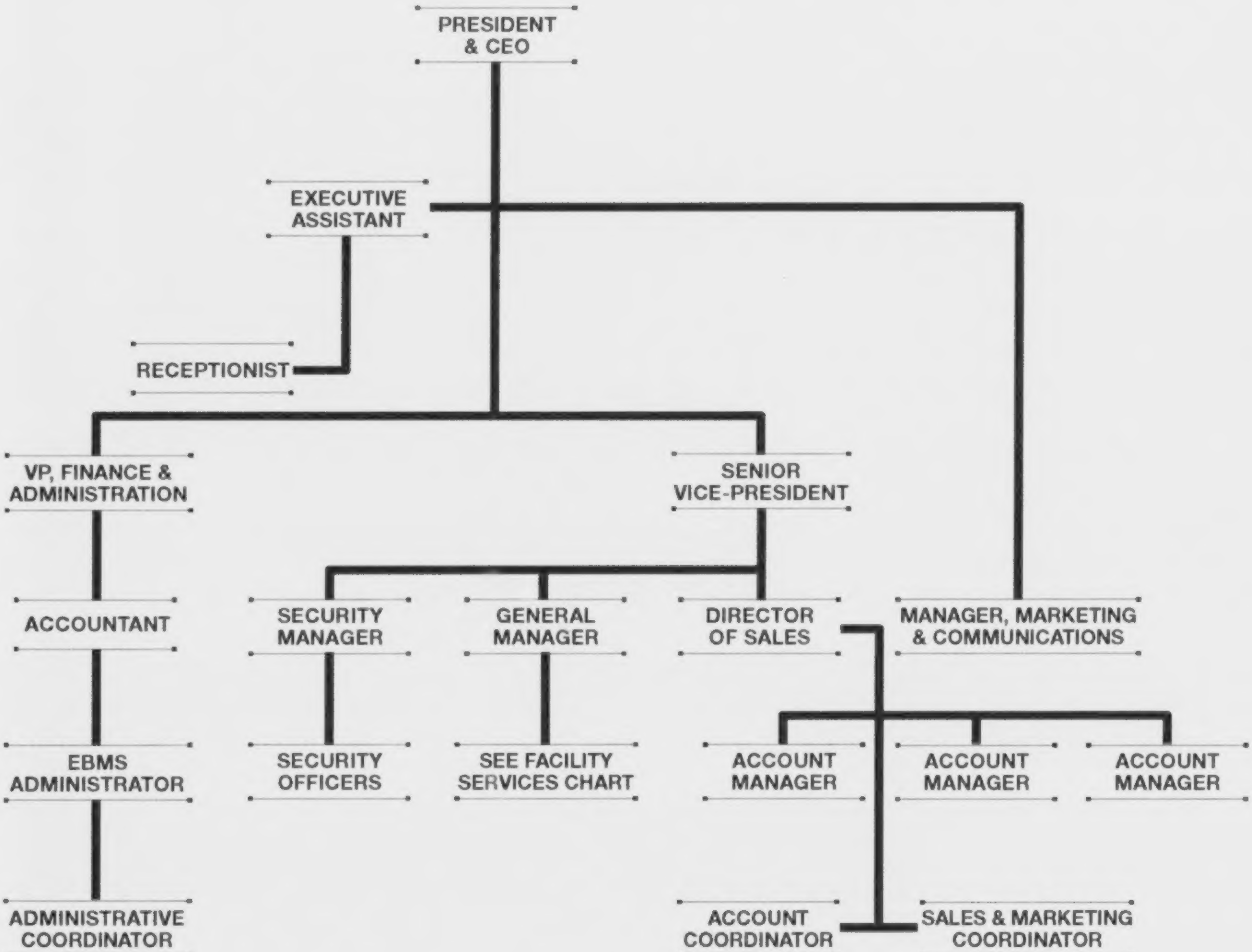
Ontario

Core Purpose

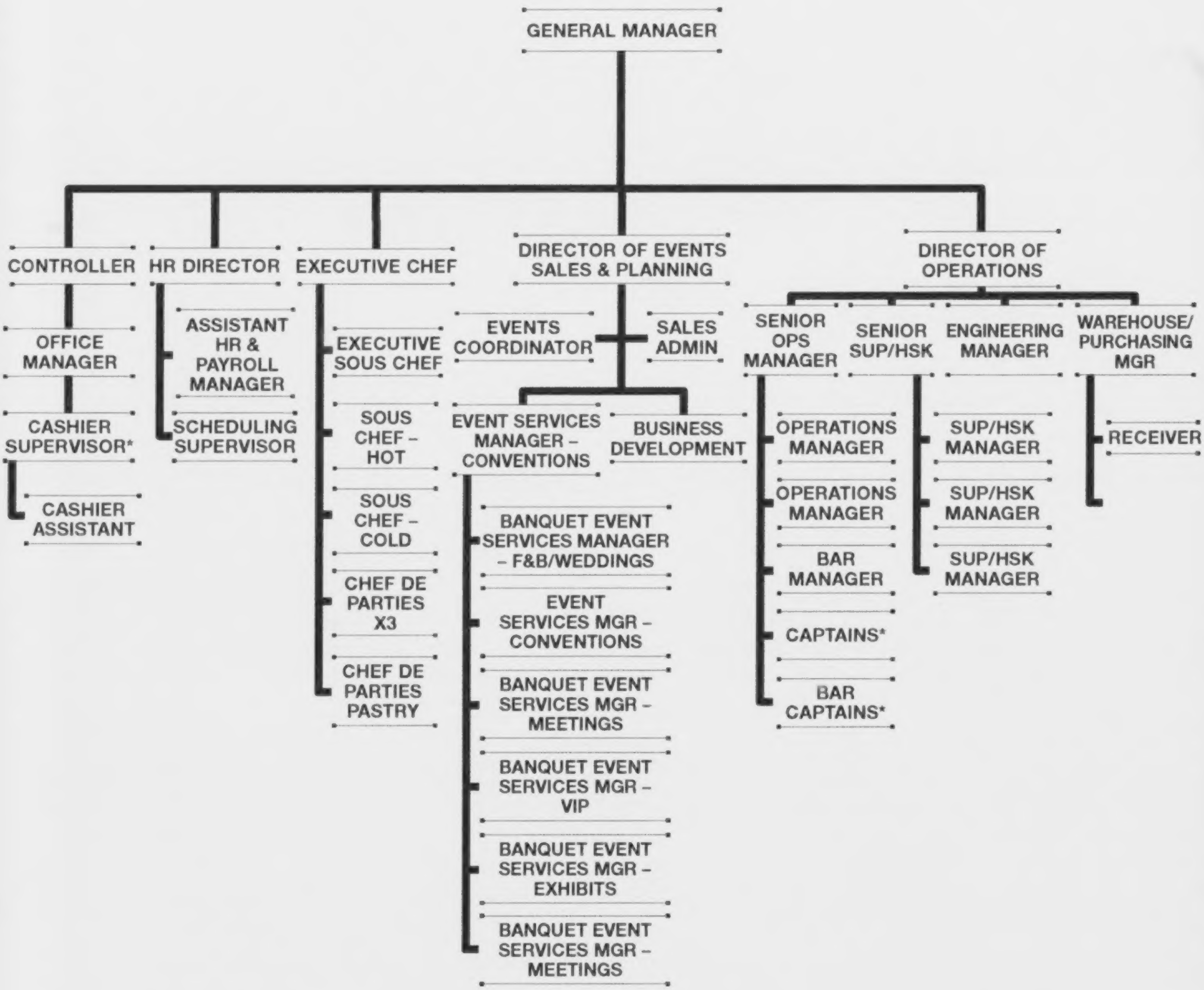
We are Canada's Meeting Place. Ottawa Convention Centre provides the stage where Canadians and guests from around the world come together in Ottawa, our Capital, to learn and grow by sharing their knowledge, views and practices.

OTTAWA CONVENTION CENTRE | CENTRE DES CONGRÈS D'OTTAWA

Ottawa Convention Centre Organization Structure 2012/13



OCC – Facility Services Organization Chart 2012/13



*HOURLY POSITION

Ottawa Convention Centre Corporation Financial Statements

For the year ended March 31, 2013

June 21, 2013

Independent Auditor's Report

To the Members of
Ottawa Convention Centre Corporation / Société du Centre des Congrès d'Ottawa

We have audited the accompanying financial statements of Ottawa Convention Centre Corporation / Société du Centre des Congrès d'Ottawa, which comprise the statement of financial position as at March 31, 2013, and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

pwc

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ottawa Convention Centre Corporation / Société du Centre des Congrès d'Ottawa as at March 31, 2013, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative information

Without modifying our opinion, we draw attention to note 3 to the financial statements which describes that Ottawa Convention Centre Corporation / Société du Centre des Congrès d'Ottawa adopted Canadian public sector accounting standards, including accounting standards that apply to government not-for-profit organizations on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at March 31, 2012 and April 1, 2011, and the statements of operations, changes in net assets and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Chartered Accountants, Licensed Public Accountants

Ottawa Convention Centre Corporation / Société du Centre des Congrès d'Ottawa

Statement of Financial Position

	March 31, 2013 $	March 31, 2012 $ (unaudited) (restated – note 3)	April 1, 2011 $ (unaudited) (restated – note 3)
Assets			
Current			
Cash	1,695,939	3,324,256	2,835,736
Accounts receivable	506,460	1,297,568	1,367,209
Prepaid expenses	85,437	87,438	18,074
	2,287,836	4,709,262	4,221,019
Property, plant and equipment (note 4)	171,192,580	175,936,970	160,327,805
	173,480,416	180,646,232	164,548,824
Liabilities and Net Assets			
Current			
Loans payable	–	–	6,000,000
Accounts payable and accrued liabilities	1,893,488	3,273,919	6,503,386
Deferred revenue and deposits	1,953,218	1,601,837	1,042,098
Current portion of long-term debt (note 5)	128,170	122,331	–
	3,974,876	4,998,087	13,545,484
Construction holdback payable	–	251,500	14,216,973
Deferred revenue and deposits	366,679	266,473	140,000
Long-term debt (note 5)	43,195,094	42,237,824	–
Deferred contributions related to property, plant and equipment (note 6)	116,674,704	119,887,635	120,137,970
	164,211,353	167,641,519	148,040,427
Net assets	9,269,063	13,004,713	16,508,397
	173,480,416	180,646,232	164,548,824

Commitments (note 10)

Approved by the Board of Directors

________________________ Director ________________________ Director

The accompanying notes are an integral part of these financial statements.

Ottawa Convention Centre Corporation / Société du Centre des Congrès d'Ottawa

Statement of Operations

For the year ended March 31, 2013

	2013 $	2012 $ (unaudited) (restated – note 3)
Revenue		
Food and beverage	10,433,710	10,163,145
Space rental	3,822,822	3,272,212
Commissions	1,547,795	1,461,726
Advertising	222,751	181,835
Other	65,724	108,086
Interest earned	31,025	31,232
	16,123,827	15,218,236
Expenses (note 7)		
Direct	7,582,551	7,201,441
Facilities	5,500,524	4,829,587
Selling, general and administrative	2,724,926	3,180,455
	15,808,001	15,211,483
Operating excess of revenue over expenses before undernoted items	315,826	6,753
Interest on long-term debt	(1,964,574)	(1,210,577)
Interest on loans payable	–	(254,713)
Amortization of deferred contributions related to property, plant and equipment	3,212,931	3,212,931
Amortization of property, plant and equipment	(5,299,833)	(5,258,078)
Excess of expenses over revenue for the year	(3,735,650)	(3,503,684)

The accompanying notes are an integral part of these financial statements.

Ottawa Convention Centre Corporation / Société du Centre des Congrès d'Ottawa

Statement of Changes in Net Assets

For the year ended March 31, 2013

	2013 $	2012 $ (unaudited) (restated – note 3)
Net assets – Beginning of year	13,004,713	16,508,397
Excess of expenses over revenue for the year	(3,735,650)	(3,503,684)
Net assets – End of year	9,269,063	13,004,713

The accompanying notes are an integral part of these financial statements.

Ottawa Convention Centre Corporation / Société du Centre des Congrès d'Ottawa

Statement of Cash Flows

For the year ended March 31, 2013

	2013 $	2012 $ (unaudited) (restated – note 3)
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenue for the year	(3,735,650)	(3,503,684)
Items not affecting cash –		
Amortization of property, plant and equipment	5,299,833	5,258,078
Amortization of deferred contributions related to property, plant and equipment	(3,212,931)	(3,212,931)
Capitalization of interest to long-term debt	1,085,440	–
Redevelopment costs	–	100,903
Contributions related to redevelopment costs	–	(37,403)
	(563,308)	(1,395,037)
Net change in non-cash working capital balances (note 8)	(135,735)	(2,542,978)
	(699,043)	(3,938,015)
Capital activities		
Purchase of property, plant and equipment	(555,443)	(20,867,243)
Decrease in construction holdback payable	(251,500)	(13,965,473)
Redevelopment costs	–	(100,903)
	(806,943)	(34,933,619)
Financing activities		
Repayment of loans payable	–	(6,000,000)
Issuance of long-term debt	–	42,486,236
Repayment of long-term debt	(122,331)	(126,081)
Contributions related to property, plant and equipment	–	2,962,596
Contributions related to redevelopment costs	–	37,403
	(122,331)	39,360,154
Increase (decrease) in cash during the year	(1,628,317)	488,520
Cash – Beginning of year	3,324,256	2,835,736
Cash – End of year	1,695,939	3,324,256
Supplementary information		
Interest paid	1,976,469	1,352,048

The accompanying notes are an integral part of these financial statements.

1 Nature of organization

The Ottawa Convention Centre Corporation (the "Centre") was incorporated by a special Act of the Ontario Provincial Legislature. The mandate of the Centre is to operate, maintain and manage an international class convention centre facility in the City of Ottawa in a manner that will promote and develop tourism and industry in Ontario. The Centre is exempt from income taxes.

2 Summary of significant accounting policies

Basis of presentation

The financial statements of the Ottawa Convention Centre Corporation are prepared in accordance with Canadian public sector accounting standards (PSAS), including accounting standards that apply to government not-for-profit organizations.

Revenue recognition

Revenue from food, beverage, space rental and other is recognized when the related goods or services are provided to the customer. Advertising revenue is recognized in the year in which the advertising is provided to the client. Commission revenue is recognized in the year in which the related event is held.

The Centre follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed materials and services

From time to time, the Centre receives contributed materials and services. Since these materials and services are either not normally purchased by the Centre or the fair value of the materials or services cannot be reasonably estimated, contributed materials and services are not recognized in these financial statements.

Use of estimates

The preparation of the financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates made in the preparation of these financial statements include the useful lives of property, plant and equipment and commission revenues earned. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is provided for by the straight-line method over the estimated useful life of the various classes of assets, except in the year of acquisition when a pro-rated share of the year's amortization is recorded based on the fiscal quarter in which the asset is acquired. Amortization is calculated at the following rates:

Building	40 years straight-line
Software	5 years straight-line
Furniture, equipment and fixtures	10 years straight-line
Technology network	15 years straight-line

The Centre reviews long-lived assets for impairment whenever events or changes in circumstances indicate the asset no longer has any long-term service potential to the Centre. The impairment loss, if any, is the excess of the carrying value over any residual value. Impairment losses are not reversed in future periods.

Loans payable

The Centre had available a revolving term credit facility from a commercial bank by way of prime rate based loans and/or 30, 60 and 90 day bankers' acceptances. This credit facility is no longer available to the Centre.

Deferred revenue and deposits

Deferred revenue and deposits represent amounts received in advance from customers in relation to services to be rendered in future periods.

Construction holdback payable

These amounts represent contractual holdbacks on construction costs incurred for the Centre's facilities. Payment of these amounts was made during fiscal 2013 upon completion of the construction.

Deferred contributions related to property, plant and equipment

Deferred contributions represent amounts received from various levels of government as well as one of the Centre's significant partners, to be used towards the construction and purchase of property, plant and equipment.

Deferred contributions are recognized as revenue on the same basis as the amortization of property, plant and equipment.

Employee future benefits

All full-time employees of the Centre are eligible to be members of the Centre's defined contribution pension plan which offers employees a pension benefit, upon retirement or termination, based on the accumulated contributions made by the individual employee and by the Centre, on their behalf, plus any investment earnings on these contributions. Contributions required to be made by the Centre are recorded in the period in which employee services are rendered.

During the year, the Centre recorded an expense of $73,788 (2012 – $71,080) for contributions made to the defined contribution pension plan, which is included in selling, general and administrative expenses.

Financial instruments

The Centre's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, construction holdback payable and long-term debt.

The Centre has classified its financial instruments as follows:

Asset/Liability	**Measurement**
Cash	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Construction holdback payable	Amortized cost
Long-term debt	Amortized cost

The carrying amount of these financial assets and financial liabilities approximates their fair values unless otherwise disclosed.

3 Transition to Canadian Public Sector Accounting Standards

Commencing with the 2013 fiscal year, the Centre has adopted PSAS. These financial statements are the first financial statements for which the Centre has applied PSAS. The Centre has elected to apply PSAS standards that apply only to government not-for-profit organizations.

The impact of the transition to PSAS on the accumulated net assets at the date of transition, April 1, 2011, and the comparative annual excess of expenses over revenues are presented below. These accounting changes have been applied retrospectively with restatement of prior periods except for the accounting standards contained in PS3450 – *Financial Instruments* as this standard specifically prohibits retrospective application.

A statement of remeasurement gains and losses has not been presented as there are no financial assets or financial liabilities denominated in foreign currencies or measured at fair value (other than cash) where changes in the values of such financial assets or financial liabilities would require separate disclosure in a statement of remeasurement gains and losses.

There was no significant impact on the statement of cash flows, as the amount of cash provided by or used in each sub-category (operating, capital and financing activities) has not changed as a result of the transition to PSAS.

The following changes have been implemented to comply with PSAS:

a) Statement of financial position

The impact of the transition on the statement of financial position is as follows:

	April 1, 2011 $ (unaudited)
Deferred charges – as previously stated	1,205,049
Derecognition of deferred charges (i)	(1,205,049)
Deferred charges – as restated	–

	April 1, 2011 $ (unaudited)
Deferred contributions related to deferred charges – as previously stated	512,032
Derecognition of deferred contributions related to deferred charges (ii)	(512,032)
Deferred contributions related to deferred charges – restated	–

	March 31, 2012 $ (unaudited)
Deferred contributions related to property, plant and equipment – as previously stated	119,817,402
Adjustment of amortization period for deferred contributions related to property, plant and equipment (iii)	70,233
Deferred contributions related to property, plant and equipment – restated	119,887,635

b) Statement of operations

The impact of the transition on the statement of operations is as follows:

	Year ended March 31, 2012 $ (unaudited)
Excess of expenses over revenue for the year as originally reported	(4,126,468)
Adjustments to the excess of expenses over revenue for the year –	
Conversion to PSAS	
Deferred charges (i)	1,205,049
Deferred contributions related to deferred charges (ii)	(512,032)
Deferred contributions related to property, plant and equipment (iii)	(70,233)
Excess of expenses over revenue for the year – as restated	(3,503,684)

c) Accumulated net assets

The impact of the transition on the net assets is as follows:

	March 31, 2012 $ (unaudited)	April 1, 2011 $ (unaudited)
Accumulated net assets – as originally reported	13,074,946	17,201,414
Adjustments to the accumulated net assets –		
Conversion to PSAS		
Deferred charges (i)	–	(1,205,049)
Deferred contributions related to deferred charges (ii)	–	512,032
Deferred contributions related to property, plant and equipment (iii)	(70,233)	–
Net assets – as restated	13,004,713	16,508,397

(i) The Centre has retrospectively derecognized deferred charges which represent pre-operating costs pertaining to the redevelopment initiative. These deferred charges have been recognized under the Centre's previous accounting framework but do not meet the definition of assets under PSAS.

During the year ended March 31, 2012, charges of $100,903 relating to the redevelopment initiative were incurred and expensed in the same year, in accordance with the Centre's accounting policies under the previous accounting framework. Upon transition to PSAS, these have been reclassified to selling, general and administrative expenses.

(ii) The Centre has retrospectively derecognized deferred contributions related to deferred charges pertaining to the redevelopment initiative. These deferred contributions have been recognized under the Centre's previous accounting framework, together with the recognition of the related deferred charges. As the deferred charges have been derecognized as a result of the transition, deferred contributions have also been derecognized, in accordance with the Centre's revenue recognition accounting policies.

During the year ended March 31, 2012, contributions related to deferred charges pertaining to the redevelopment initiative of $37,403 were received and recognized in the same year, in accordance with the Centre's accounting policies under the previous accounting framework. Upon transition to PSAS, these have been reclassified to other revenues.

(iii) The Centre has retrospectively adjusted the amortization period for certain deferred contributions related to property, plant and equipment from 10 years to 15 years as a result of its transition to PSAS.

4 Property, plant and equipment

			2013
	Cost $	Accumulated Amortization $	Net carrying amount $
Building	170,101,708	8,505,085	161,596,623
Software	274,577	184,270	90,307
Furniture, equipment and fixtures	8,271,836	1,666,107	6,605,729
Technology network	2,476,912	330,254	2,146,658
Land	753,263	–	753,263
	181,878,296	10,685,716	171,192,580

			2012
	Cost $ (unaudited)	Accumulated Amortization $ (unaudited)	Net carrying amount $ (unaudited)
Building	169,833,716	4,245,843	165,587,873
Software	274,577	134,592	139,985
Furniture, equipment and fixtures	7,984,385	840,321	7,144,064
Technology network	2,476,912	165,127	2,311,785
Land	753,263	–	753,263
	181,322,853	5,385,883	175,936,970

5 Long-term debt

On November 2, 2012 the Centre was granted an amendment to the financing agreement with the Ontario Financing Authority. As a result of the amendment, the Centre has been granted a payment holiday on this loan for five years, during which interest expense will continue to accrue. The Centre is required to resume blended interest and principal repayments in September 2018, based on an adjusted loan amortization schedule.

	2013 $	2012 $ (unaudited)
Loan payable from the Ontario Financing Authority, bearing interest at the province's cost of funds plus 0.525% (2012 – 0.525%), compounded annually, including $1,085,440 (2012 – $nil) of capitalized interest. As at March 31, 2013, the interest rate amounted to 4.7% (2012 – 4.7%)	41,085,440	40,000,000
Debt related to acquisition of technology services network, bearing interest of 4.7% per annum and requiring blended monthly payments of $19,167 (2012 – $19,167) from April 2011 through March 2026.	2,237,824	2,360,155
	43,323,264	42,360,155
Less: current portion	128,170	122,331
	43,195,094	42,237,824

Long-term debt, excluding the loan payable to the Ontario Financing Authority, matures over the next five years as follows:

	$
Year ending March 31, 2014	128,170
2015	134,288
2016	140,698
2017	147,414
2018	154,451

6 Deferred contributions

	2013 $	2012 $ (unaudited) (restated – note 3)
Balance – beginning of the year	119,887,635	120,137,970
Contributions received	–	2,962,596
Amortization	(3,212,931)	(3,212,931)
Balance – end of year	116,674,704	119,887,635

7 Expenses

Expenses presented by function are represented as follows:

	2013 $	2012 $ (unaudited) (restated – note 3)
Direct	7,582,551	7,201,441
Facilities	10,800,357	10,087,665
Selling, general and administrative	2,724,926	3,180,455
Financial	1,964,574	1,465,290
	23,072,408	21,934,851

The above presentation of expenses by function excludes the amortization of deferred contributions related to property, plant and equipment, as these are considered revenue in accordance with the Centre's accounting policies described in note 2.

8 Net change in non-cash working capital balances

The net change in non-cash working capital balances consists of the following changes in current assets and liabilities:

	2013 $	2012 $ (unaudited)
Accounts receivable	791,108	69,641
Prepaid expenses	2,001	(69,364)
Accounts payable and accrued liabilities	(1,380,431)	(3,229,467)
Deferred revenue and deposits – current	351,381	559,739
Deferred revenue and deposits – long-term	100,206	126,473
	(135,735)	(2,542,978)

9 Financial instruments and risk management

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Cash, being the only financial instrument measured at fair value, was measured as a Level 1 financial instrument.

Credit risk

Credit risk refers to the risk resulting from the possibility that parties may default on their financial obligations to the Centre. The Centre's booking policies are designed to minimize the amounts due from customers upon the conclusion of their event and thereby reduce their credit risk exposure. Further, the Centre's management performs regular reviews of the credit worthiness of its customers and has collection policies that management feels are adequate to minimize losses in this area. The Centre does not consider its accounts receivable as presenting any significant credit risk.

As at March 31, 2013, based on their invoice date, the following accounts receivable were past due but not impaired.

	31 – 60 days $	61 – 90 days $	91 – 120 days $	Over 120 days $
Accounts receivable	–	–	–	1,000

Liquidity risk

Liquidity risk refers to the risk that the Centre will encounter difficulty in meeting obligations associated with financial liabilities. The Centre is exposed to this risk mainly in respect of its long-term debt. As at March 31, 2013, the Centre was in compliance with loan covenants and was able to discharge its liabilities. In November 2012, the Centre successfully renegotiated its long-term debt agreement with the Ontario Financing Authority (note 5), and as a result, the Centre expects to continue to be in compliance with loan covenants and be able to discharge its liabilities in fiscal 2014 and beyond.

The table below is a maturity analysis of the Centre's financial liabilities as at March 31, 2013:

	Up to 6 months $	More than 6 months up to 1 year $	More than 1 year up to 5 years $	More than 5 years $	Total $
Accounts payable and accrued liabilities	1,833,363	5,010	27,558	27,557	1,893,488
Long-term debt (excluding non-capitalized interest)	63,338	64,832	738,676	42,456,418[(1)]	43,323,264
	1,896,701	69,842	766,234	42,483,975	45,216,752

(1) As a result of the Centre's renegotiation of its debt agreement, no payments are required until September 2018. Included in the amount of long-term debt maturing in the **more than 5 years** category is the interest expense which has been capitalized to the long-term debt.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Centre has $40,000,000 (2012 – $40,000,000) in debt bearing interest at the Province of Ontario's cost of funds plus 0.525% annually (note 5). Management does not consider the Centre to be exposed to significant interest rate risk.

As at March 31, 2013, the Centre's total exposure to interest rate risk is $40,000,000. The Centre's estimate of the effect on net assets, as at March 31, 2013 of a one percent increase or decrease in the interest rate on long-term debt, with all other variables held constant, would amount to an approximate increase or decrease of $400,000. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Financing available

The Centre has an unused line of credit of $5,000,000 (2012 – $5,000,000) which is available until March 2016. Interest is charged at prime.

Sensitivity analysis

The sensitivity analysis included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

10 Commitments

The Centre has entered into facility services and technology services agreements related to the operation of the new facility, both elapsing in 2026. Under the facility services agreement, among other terms, the Centre will pay a facility management fee of $210,000 (2012 – $200,000) with annual escalations of $10,000 thereafter. Under the technology services agreement, the Centre will make annual payments of $284,000 (2012 – $276,000) attributable to the ongoing service agreement. All figures are excluding applicable taxes.

11 Capital management

The Centre's objective when managing capital is to maintain its ability to continue as a going concern in order to execute its mandate to operate a world class convention facility. The Centre's capital structure is comprised of its net assets and deferred contributions related to property, plant and equipment. The Centre's objective in management of its capital structure is to ensure access to sufficient cash flow to carry out its ongoing operations and service the debt obligations to the Ontario Financing Authority.